Financial Analysis of Performance of Cement Industry in Rajasthan: A comparative study of Ultra-Tech Cement, Shree Cement and Ambuja Cement

A

SYNOPSIS SUBMITTED FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

IN

COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAHARSHI DAYANAND SARASWATI UNIVERSITY

AJMER

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Under the supervision of

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APPENDIX- IV-A

FORMAT FOR OUTLINE OF PROPOSED RESEARCH WORK

1. **Name of Scholar (In English)** : Deepali Sharma

   (In Hindi) : दीपाली शर्मा

2. **Title of Research Work** : Financial Analysis of Performance of Cement Industry in Rajasthan: A comparative study of Ultra-Tech Cement, Shree Cement and Ambuja Cement

   (In Hindi) : राजस्थान में सीमेंट उद्योग के निष्पादन का वित्तीय विश्लेषण : अल्ट्रा-टैक सीमेंट, श्री सीमेंट व अम्बूजा सीमेंट का तुलनात्मक अध्ययन

3. Location

   a) Institution / Department where the work is to be done.
   b) Geographical area of investigation, if any

4. Introduction Importance of Proposed Investigation, Objectives.

5. Review (Work already done on the subject of proposed research study).

6. Research gaps identified in the proposed field of investigation (Based on the review).

7. Major Hypothesis, if any

8. Research Methodology.

9. List of References cited.

Deepali Sharma

Outline Approved

Name and signature of supervisor
With date and seal

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Signature of Candidate with date

1. **Name of Scholar (In English)** : Deepali Sharma

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3. **Location**

a) **Institution / Department where the work is to be done:**
Department of Commerce (Business Administration), S.M.M. Govt. Girls College, Bhilwara

b) **Geographical area of investigation: If any** – Rajasthan

4. Introduction Importance of Proposed Investigation, Objectives.

Cement industry is a basic industry which plays an important role in the process of economic development of the country. The Indian cement industry is the second largest producer of quality cement that meets global standard. In India the cement era commenced, with the establishment of small cement factory at Washermanpet in Chennai (formerly called Madras) in 1904 by South India Industrial Limited, a company which dates back to 1879. This cement plant could not succeed and hence ultimately failed. But the true beginning of

the cement industry was in 1914 with the establishment of a cement unit at Porbandar in Kathiwar by the India Cement Company Limited in Gujarat with a production capacity of 100000 tons and 1000 tons (10.00 per cent) of cement with the help of private capital. Cement industry is also plays a significant role in providing direct and indirect employment. It also generates revenue contribution by way of taxes and duties to government and caters to basics of living, namely construction industry.

Finance is the life blood of business. It flows in mostly from sale of goods and services. It flows out for meeting various types of expenditure. The activating element in any business, which may be an industrial or commercial undertaking, is the finance. Finance plays a crucial role in the day-to-day lives of each individual or corporation. It is a very wide term and it can be said to be the study of the science of managing funds. Usually, finance includes the areas of public, personal and business finance. It includes things related to lending, spending and saving money.

Financial statement analysis is a valuable tool of fund management to measure the liquidity, profitability, activity and leverage of the firms. The financial performance is an important factor which indicates the growth of the company. It is influenced by several factors like cost, revenue and the resultant margin of the companies. Financial performance may be exhibited with the help of many aspects namely financial facts, financial ratios, financial health, strength, funds position, utilization of assets etc. The financial performance may be influenced by the operational and financial efficiency of the company which is related to many cost aspects and the revenue. One of the best indicators to the financial performance is return either on assets, sales, equity or others.

Rajasthan state is the largest Province of India and endowed with the variety of minerals and natural resources. Rajasthan provides a baseline infrastructure to several Cement Industries. These industries are flourishing day

by day and their financial growth is outstanding that contributes in acquiring 2nd position of India in cement production in the world. Thus, financial analysis of performance of cement industry can be helpful to various policy makers to plan the investment and employment strategies in the concern area.

For the fulfillment of these research gaps the present study will be undertaken with the following objectives to be considered:

- To compare financial analysis of the performance of cement industry in Rajasthan (Ultra-Tech Cement, Shree Cement and Ambuja Cement).
- To comparative assessment of recent trends of financial growth in selected cement industry in Rajasthan (Ultra-Tech Cement, Shree Cement and Ambuja Cement).
- To evaluate the contribution of cement industry (Ultra-Tech Cement, Shree Cement and Ambuja Cement) in economic development of the country.

5. Review (Work already done on the subject of proposed research study).

Cement industry is one of the important industries in concern of revenue generation and in concern to employment generation. It could be utilized as one of the most potential sector for the employment generation and in contributing to the economic growth. India is on second position in the world in cement production; few scattered studies were carried out to understand the working pattern and financial performance assessment of the cement industry.

Chamoli (1985) has attempted to assess the capital structure pattern of Cement Industry in both private and public sector. Sethuraman *et al.*, (1985) have viewed that the cement industry in Indian economy is opened up; it has

interesting implications for the industry, which is supported in economic growth.

Khandekar (1986) has pointed out the Seventh Plan which targets for installed capacity of cement industry against the Sixth Plan-end level of 42.5 million tones. That indicates that the cement industry will have to grow one and a half times more within time period of five years. Nair (1990) has analyzed the productivity aspect of Indian Cement Industry. Chandrasekaran (1993) has made an attempt to examine determinants of profitability in cement industry. Profitability is determined by structural as well as behavioural variables. The other variables, which influence profitability, are growth of the firm, capital turnover ratio, management of working capital and inventory turnover ratio etc.

Cokavn and Vaidya (1993) have made a serious attempt to evaluate the performance of cement industry after decontrol. Chandrasekaran (1994) has established a theory about the market structure of the Indian Cement industry. The concept of firm, industry, market structure, conduct and performance are defined as conventionally used in the literature of industrial organizations. Jethra and Lahivy (1994) had analyzed the problems and prospects faced by the Indian Cement industry.

Bhanu (1995) has made an attempt to bridge the gap by critically evaluating the performance of the cement industry during various phases of control and decontrol. Kumarados and Sahoo (1995) have revealed that the largest firm and the second largest four firms produce about 30 to 37 per cent and 48 to 56 per cent of the entire cement industry's production. It leads to least desirable combinations of high concentration and least competition. All concentration though registers a declining trend that was very negligible. The public sector firms have a very passive role to improve the most undesirable combination. The larger firms in the public sector have no capacity to provide potential competitive threat to their counterparts in the private sector.

Tiwari (1998) has analyzed that the cement industry is passing through a highly discouraging period due to high cost of production and low prices. Acharya (1999) has done an analytical study in detail the various factors responsible for rapid changes in the cement industry and concluded that certain factors, that are essential for cement companies excel in their business, are good quality with international standards, ability to keep up with competition, company and the industry should think globally and act locally, integration of information technology and finally nurture the people within the industry.

Indian Cement Review Committee (1999) has analyzed the Asian crisis with regard to cement and the changing underlying supply and demand patterns. Kapur (1999) has analyzed the key factors behind the transformation in cement industry. Production systems, split location of production units, inadequate infrastructure and cost reduction, coal and energy was analyzed. Sharma (2001) has studied the pains and problems of shortage and surplus of cement industry in the past decades.

Das (2002) has analyzed the problems of banning mining in the state of Rajasthan especially with regard to cement manufacturing units. Mathew and Knat (2002) have stated that the few companies are planning to expand their cement manufacturing capacity at Sirohi Road Plant in Rajasthan. Srivats (2002) in his article, "Government not for regulating cement prices now", has stated that the central government does not intend to intervene to correct the cement price fluctuations seen in some of the consumption centers.

Gurumurthy (2003) has analyzed the growth from deficit to surplus and the present status of the cement industry is also studied. Mishra (2003) concluded that stress is the factors responsible for competitive gain. Under the process of globalization of industry, achievement of the competitive advantage over the rival calls for an urgent management attention. Dharmakrishnan (2004) has viewed consolidation in the cement industry. The cement industry has been going through a period of re-alignment or consolidation since the early 1990s

but still has a long way to go in this regard. The Indian cement industry is the second largest in the world after China. The cement industry's progress since its inception in 1904 has been significant and today in terms of quality, productivity and efficiency the industry is holding second position in the world.

Misra (2004) described ways and means for cost reduction in cement plants. This can be achieved by introducing the use of metallurgical slag and pozzolanic materials that promotes conservation of mines, emission and reduction of greenhouse gases. Cost savings on power, fuel, raw materials etc are claimed. Ghosh and Maji (2004) made an attempt to examine the efficiency of working capital management of the Indian cement companies during 1992-1993 to 2001- 2002. Jain (2005) gives detailed sketch about the Indian cement industry's growth and compared it with Chinese cement industry.

Raheman and Naser (2007) concluded that working capital management has its effect on liquidity as well on profitability of the firm. Ohta (2007) discuss the 1997 Asian crisis, Thailand became the main cement exporter in Asia, followed by Indonesia. This was due to the large excess capacity created in these countries as a result of the economic slowdown. Maxwell-Cook (2007) stated the current situation in the Chinese cement industry is one of the exceptional growths between 2001 and 2005, production increased from 66 metric tons to 430 metric tons, primarily due to the introduction of dry process production.

Rajamohan and Vijayaragavan (2008) have conducted a study on production performance of Madras Cement Limited. In order to analyze the comparative production performance of Madras Cements Limited and all cement units in India, Mann-Whitney U-test was applied. Dharmendra (2011) analyzed that Liquidity is in closely relation with the profitability of the Indian Cement Industry as compared to the solvency ratios like Total Assets Ratio, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio.

Hajihassani (2012) did a Comparison of Financial Performance in Cement Sector in Iran and comparison of financial performance for the period study 2006 to 2009. It can be analyzed comparison of financial performance of selected cement companies by using various financial ratios and measures of cement companies working in Iran. Awan *et al.,* (2014) have analyzed the impact of Working Capital Management on performance of cement sector in Pakistan during the period of 2009 to 2013. Return on was used as the dependent variable in order to test the impact of Working Capital Management on firm's profitability and independent variables were, Inventory Turnover in Days, Cash Conversion Cycle, Current Ratio, Quick Ratio, Gross Working Capital, Average Payment, size of firm, and Funds allocated by government in Public Sector Development Program. Panel Data method is used to study the impact of Working Capital Management on profitability of Cement sector of Pakistan.

Few scattered information about cement industry working capital analysis, financial analysis, financial performance analysis and workers skill development etc. were also documented by certain workers from Rajasthan and nearby states. These studies are mainly concerned about efficiency of employee training programme in selected cement industry in Rajasthan (Indora, 2014); in Gujarat about working capital management, Financial analysis and economic status of selected cement industries (Patel, 2011; Dodiya, 2014; Patel, 2015; Vasoya, 2015), in Tamil Nadu about financial performance, performance appraisal and fund management of selected cement industries (Shanmugam, 2008; Prakash, 2010; Manonmani, 2011; Reddy, 2012; Babu, 2013), in Madhya Pradesh about general accounts of cement industry (Nirmal, 1982), in Chhattisgarh about working capital management (Agrawal, 2005) etc.

6. Research gaps identified in the proposed field of investigation (Based on the review).

In recent scenario cement industry provides a variety of services at the various levels. In case of Indian Economy, the measurement of financial performance is relatively more complex because of the increasing growth of Indian Cement Industry. Thus, the present study is an approach to evaluate the financial analysis of the cement Industry in Rajasthan (Ultra-Tech Cement, Shree Cement and Ambuja Cement), and to identify their role in economic development.

7. Major Hypothesis, if any

India is at second position, just after the China in field of cement production in the world. It is hypothesized that Cement Industry is in its golden period of development and soon India will be at the pinnacle of cement production in the world. That will definitely affect the overall development of economy, so the degree of Impact should be assessed in terms of Financial Analysis of performance of cement industry in Rajasthan.

8. Research Methodology.

The present study will be mainly focus on secondary data which shall be collected from various sources such as Statistical tables related to selected Cement Industry of Rajasthan, monthly Bulletin published by various sources of

Government, private or other Institutions and Departments, and annual reports and Financial Statements of selected cement industry of Rajasthan.

Expected duration of proposed Research work

The proposed research work will be completed in two year. The year wise details are as follow:

During I year:

- Collection of the various financial performances from the annual reports of the selected cement industry.
- Financial Analysis of Performance of the selected cement industry.
- To procure the data pertaining to the objective.

During II year:

- Analysis of the collected data.
- To develop and construct tables, figures, photographs and graphs.
- Compilation of the work and preparation of the Research Article and Report.

CHAPTER WISE DETAIL OF PROPOSED RESEARCH

The chapters of the thesis will be as follows:

1 **Introduction**: This chapter will cover the view points about the research problem and details about the importance of the proposed research work:

- Introduction and importance of selected cement industry (Ultra-Tech Cement, Shree Cement and Ambuja Cement) of Rajasthan in Development.

- Financial status and working efficiency about the selected cement industry (Ultra-Tech Cement, Shree Cement and Ambuja Cement) of Rajasthan.
- Objectives of proposed investigation

2 **Review of literature**: This chapter will include the recent literature regarding the cement industry procured from published literature and annual reports of various sources, bulletin and reports of leading commercial and financial institutions etc.

3 **Material and Methods**: This chapter will include the methods of financial analysis of performance of selected cement industry in Rajasthan. The secondary data i.e. annual reports and financial statements of various cement industry. The details about the various statistical tools going to be used for the proposed research work such as mean, SD, Co-relation, regression, ratio analysis, fund flow analysis, cash flow analysis etc.

4 **Result and Discussion**: The major results will be selectively tabulated as well graphical representations of the same will be done. The results will be discussed in the light of recent reviews. The hypothesis will be tested.

5 **Conclusion and Suggestions**: This chapter will include the key points as conclusion. The concluding points will be regarding to the objectives undertaken and testing of hypothesis will be done.

6 **Summary**: The summary of the entire study will be discussed under this heading.

Bibliography: The references will be cited with the literature.

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Outline Approved

Signature of Candidate with date

Name and signature of supervisor With date and seal

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MAHARSHI DAYANAND SARASWATI UNIVERSITY, AJMER

Certificate by Supervisor

Certified that:

1 I am willing to guide the research of Ms. **DEEPALI SHARMA** on the above subject if she registered for Ph.D.

2 To the best of my knowledge, the subject selected has not been studied and is not being studied so far in any University.

3 The subject is of sufficient scope to keep the candidate engaged for two year.

4 The subject will lead to a valuable contribution. I have seen and approved the outline and bibliography, etc. submitted by the candidate.

5 Necessary facilities are available in the department for the above research work, (certificate from principal/head university department with regards to facilities available is enclosed.)

6 I have.....Nil.....Research candidate registered under my supervision and the serial number of this candidate whose application being forwarded for registration is.....01 (One)

7 The candidate is not in a close relation (the term of close relation is defined in the examination ordinance of the University).

Signature of the supervisor with date

प्रबन्धक
से.मु.मा. राजकीय कन्या महाविद्यालय
भीलवाड़ा (राज.)

CERTIFICATE

Certified that the available facilities will be extended to Ms. Deepali Sharma for research work if, she registered for Ph.D.

प्राचार्य
से. मु. मा. कन्या महाविद्यालय
भीलवाड़ा

Signature of the Principal/ Head / Director of the Institution with date

Signature of the Supervisor with date 18/2/2017

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